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Note:

As you requested in your recent telephone conversation with John Olsen, I am enclosing an overview of the development status of our computerized export finance system that we previewed for you on your recent visit to San Francisco.

With best regards,



Development Status of Export Finance Systems' **Computerized Export Finance Monitoring and Tracking System**

General: EFS has developed a prototype integrated, Windows-based PC system to provide export finance administrative services to financial institutions, exporters and insurance providers. The system is designed around multiple integrated data files using a relational database program. This system will enable EFS to begin providing service on a pilot basis to a limited number of exporters while concurrently developing enhancements for an expanded system. The intent is to utilize the feedback and learning experience from the pilot system to create a nationwide service.

Overview: The key features of this system are the comprehensive nature of the program combined with the support services provided by EFS personnel. EFS is not selling a software program to be used by exporters. EFS is offering a complete service, which incorporates the use of an on-line program to monitor and track all aspects of export finance short-term and medium-term receivables (both insured and uninsured). This includes tracking of export sales orders, shipments, receivables, payments, electronic storage and retrieval of shipping documents, monitoring buyer credit limits, exporter's credit lines, compliance with export credit insurance policies, reporting requirements and facilitating claims payments.

In addition to using EFS's system software to input basic order and shipment information, the exporter can also use the system to check the status of receivables financing, exporter credit and buyer limits, whether a new order is eligible for coverage, etc., but the exporter cannot change any of the policy parameters or other information inputted into the system and previously verified by EFS.

Description of the System: The system is designed around eight modules which cover the various aspects of the export finance process.

I. Exporter Application Process: This module captures all of the basic data about prospective export customers, including general company information, company financial history, export sales experience, trade references, bank information, freight forwarder information, UCC filings, bad debt experience, etc. This module also contains information about all of the major foreign buyers of the exporter, including general company information, sales experience, trade references, financial information, projected sales, etc.

The output from this module is an Exporter Insurance Application Form which will be submitted to the various insurance providers (Ex-Im Bank or private insurers) in the specified format required. Also, applications will be submitted for buyer credit limits on the exporter's major foreign buyers.

II. Exporter Credit Limits: Once the insurance policy has been issued, this module will be used to store all of the relevant policy information, including general policy term and limits, detailed exporter limits, specific buyer limits (including either Discretionary Credit Limits or Special Buyer Credit Limits), approved payment terms by buyer and country limits, if applicable.

These limits and various other policy criteria are then applied to each order entered into the system to assure compliance with the pre-approved limits and terms established for each buyer and the overall policy. These limits can be set for each buyer whether the export receivables are insured or not. In certain cases, the financial institution may choose to finance export receivables on an uninsured basis, but wishes to make sure that the receivables are tracked against pre-established limits.

As transactions are entered into the system, the limits are constantly being monitored and updated to prevent shipping of goods outside of the policy limits, which could negate the insurance coverage.

III. Input/Update Orders: This module allows the exporter to enter orders into the system at an early stage in advance of shipping and invoicing. In this way, the system can give an early warning of buyers who are past due and are no longer eligible for insurance coverage, orders with terms which are outside of the policy limits or orders which exceed the established buyer credit limits. This early notice allows the exporter to either decline the order or take steps, with the assistance of EFS, to modify the terms of the policy, i.e. apply for higher buyer credit limits.

The orders entered into the system become the basic data which is then modified and updated in the following modules:

IV. Enter/Edit Shipment Data: As shipments are made, this module is updated to reflect shipment amount, shipment date, bill of lading information and the process of capturing digitally relevant shipping documents into the system by scanning and archiving. These archived documents are checked and maintained by EFS personnel in case they are needed should a claim arise.

The shipment of goods triggers the creation of the Premium Report which is prepared by EFS for filing with the appropriate insurance provider.

V. Input/Update Invoices: The invoice module is used to input the relevant invoice numbers, amounts and dates. These documents are also captured digitally through a scanning process. The system is constantly updating all limits as the order moves through its various stages.

There are a series of reports which are created from the integrated data bases which provide valuable information to the exporter, insurer and financial institution, such as, outstanding orders by buyer, sales by country, pending shipments, outstanding invoices by buyer and country, invoices eligible for financing, aged accounts receivable, past due invoices, etc.

VI. Check Shipping/Financing Documentation: An important part of the service provided by EFS is the actual review and verification of the relevant documentation prior to the approval of financing. Because documentation is captured in the system, EFS has the ability to review the documents. This module includes a Master Documentation Checklist which is designed to indicate that the following documents have been reviewed and approved:

- Purchase Order
- Ocean Bills of Lading or Air Bills
- Invoices
- Packing List
- Insurance Documents
- Drafts and Notes, if applicable
- Exporter Certificate

The output of this process will be to print a listing of Invoices Eligible for Financing and a Discrepancy List.

VII. Selection of Eligible Invoices for Financing: Based on criteria and procedures to be established in conjunction with the financial institution, this module will select those invoices which are eligible for financing. This could be a combination of insured and uninsured invoices depending on predetermined criteria relating to country, buyer and exporter.

EFS will work with each financial institution to establish the procedures and mechanism for approval and funding of eligible invoices.

VIII. Invoice Payment and Adjustment: This final module is used to input payments received from foreign buyers through a control account system and credit adjustments. These payments will update all of the related limits for the exporter and foreign buyer. Depending on the procedures established with the financial institution, any fees, interest and holdbacks can be reconciled at this point.

EFS intends to work closely with the exporters and financial institutions during the pilot project phase in order to develop enhancements to the basic system which will incorporate on-line data input, monitoring and reporting.